

## CONSIDERATIONS ON CROSS CULTURAL NEGOTIATIONS

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### Abstract

*Our world is getting smaller and smaller. Continuous improvements in transportation and communication make it easier for companies to become involved in international commerce. With the increase in cross-cultural interaction comes the need for both large and small companies to become versed in successful negotiations with the variety of cultures with which it may be exposed. This report is aimed at educating and assisting the reader in the process of cross-cultural negotiations.*

*This report will highlight three areas where companies and/or individuals will need to focus when engaged in cross-cultural negotiations. In the Planning and Preparation stage, the reader is encouraged to “know thyself” when it comes to knowing his or her own goals and preferred style of negotiation. Next, in Examining Cultural Dimensions the reader is invited to “know thy audience.” Here, the reader is exposed to different styles of negotiations, characteristics of major global cultures, and enlightened on etiquette at the negotiation table. Finally, in Negotiation Resources, the report steps back to examine the history of cross-cultural negotiations, discuss the use of simulation exercises and education in negotiations, and offer a list of available resources for the reader.*

### Planning and Preparation

Proper planning is the key to success in any negotiation, and especially with cross-cultural negotiations. There are several questions that you must answers for before you are ready to begin any negotiation. The first question is, what is the goal you wish to accomplish and why? Here, you are defining what you hope to achieve. For example, if you are negotiating a sale, you may be attempting to increase your profit margin through an increase in quantity sold or a reduction in your costs. Or, if you wish to form an international partnership, you would want to define your ideal results of the agreement. After you have defined your goals, you will want to state to what degree you will negotiate. If the negotiation involves a sale, then what is your lowest offer? Once you have looked

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at yourself, you will then need to spend some time looking at the other side of the negotiation answering the same questions for them that you answered for yourselves. Realizing that you do not have access to all of your competitor's information, you should look at the results of any earlier negotiations you can access and plan your approach accordingly.

Once we have established the base of your negotiation, you need to look at how cultural differences will effect your negotiations. The first step is to identify your style our negotiation. Do you approach negotiations with a high level of expertise? Do you have great deal of energy? Do you expect a quick resolution or are you willing to take some extra time to develop relationships at the bargaining table?

### **Examining Cultural Dimensions**

After fully examining your motives and negotiation style, you will want to start the investigation into the culture and customs of the opposing culture. Here, we have offered several questions you may wish answer with your group or company before you start your negotiations.

**Prevailing Business Protocol:** Will they negotiate like the Japanese who take a long time (months, years) to warm up to you and call you a friend where in the United States friendships can happen in days or weeks? Are they going to give you the firm handshake and eye contact or are you going to get a limp wrist and no eye contact? Will women be treated as equals, subordinates or not at all?

**Cultural Overtones:** Will they expect meetings to end quickly or should you expect a more drawn out process? Does alcohol play a role in meetings as it does in Russia? Will there be religious overtones in meetings as in the Middle East? Will you be expected to be punctual or will time be flexible?

**Scheduling:** Remember that, while other countries do not celebrate our holidays (Thanksgiving, Labor Day, Fourth of July, etc.) there are holidays in other countries that we are not familiar with. We need to make certain we are not scheduling meetings at times that may cause problems for the other side.

**Gifts:** In some cultures, gifts are expected but problems can result if the gift is not appropriate. Also, you have to be careful when complementing possessions in some countries. In the Middle East, if you admire a picture or some other possession, you may be coming home with it. (If you slip up and something gets offered, do not refuse the gift!)

**Body Language and Gestures:** Be careful with how you make gestures because something as simple as an OK sign can be considered very rude in Brazil or may mean money as it does in Japan.

## **Academic Research into Cultural Dimensions**

Geert Hofstede is a leading researcher in the field of culture and work. Hofstede began his research in the 1960's, and after surveying employees of a major United States multinational corporation in forty countries; he developed a framework of four dimensions of cultural variability that was originally published in 1980. Following is an overview of the four major areas of difference in work attitudes.

### **Power-Distance (hierarchical vs. egalitarian)**

This dimension describes the manner in which individuals in a culture relate to authority at work. Through his research, Hofstede discovered that, in some cultures, individuals who hold power have very distant relationships with those they have power over (high power-distance); while in other cultures, those that have power have significantly closer relationships with their subordinates (low power-distance). The power-distance dimension encompasses the extent to which individuals with little power in an organization are willing to accept that power is distributed unequally. Some countries that would be considered high power-distance are Latin America, South Asia, and some Arab countries. High power-distance countries like these require respect for age and seniority and they employ paternalistic management styles. Some countries that would be considered low power-distance are the United States, New Zealand, Australia, and Nordic and Germanic cultures. Low power-distance countries often value competence over seniority and they are likely to employ more consultative management styles.

### **Uncertainty Avoidance (comfort with ambiguity and change vs. desire for regimentation and consistency)**

This dimension measures a culture's comfort level with ambiguous or risky situations. Cultures which rank low in uncertainty avoidance are much more comfortable with unpredictability and the unknown. High uncertainty avoidance cultures are likely to have more rigid and complex rules that help to diminish uncertainty and decrease anxiety. The United States ranks fairly low on this dimension, but the countries that rank the lowest on the uncertainty avoidance dimension include Jamaica, Hong Kong, Singapore, and some Nordic countries. The countries that rank the highest in uncertainty avoidance include Japan, Portugal and Greece.

### **Masculinity-Femininity (assertiveness and materialism vs. quality of life)**

This dimension relates primarily to the expected gender roles within a culture. According to this dimension, self-assertion and task orientation are considered masculine traits, while nurturing, quality-of-life and relationship

orientation are considered feminine characteristics. Masculine countries tend to rigidly divide sex roles. Self-assertion and task orientation are traits ascribed to males while nurturing and quality of life roles are ascribed to women. The countries that rate highest in the masculine dimension include Japan, Switzerland and Italy. The countries that rate the highest in femininity include Sweden, Norway, and the Netherlands.

### **Individualism-Collectivism (I vs. we)**

This dimension measures the extent to which individuals in a culture work for their own benefit or for the benefit of the larger groups they are a part of such as their families, their companies, or their nation. Countries that rate high in individualism include the United States, Australia and Great Britain. Individually oriented countries tend to have task-oriented workers who desire individual reward and appraisal. Collectivist oriented countries tend to have workers who are motivated by a desire to advance their group; and they seek rewards for the group as a whole. Countries that rate higher in collectivism include Japan, Saudi Arabia, Venezuela and Peru.

## **Characteristics of Global Cultures**

<b><u>AMERICAS</u></b>	
<b>North America (USA and Canada)</b>	<ul style="list-style-type: none"> <li>- Prefer understanding under the shape of “gentlemen agreement”</li> <li>- They are cheerful, friendly, protocol is very important for them.</li> <li>- Their characteristic is “I am ‘I’ and I’m the best”</li> <li>- Financial factor is significant for them.</li> <li>- Have regular relationships between chief and subordinate and it is difficult to establish a real hierarchy.</li> <li>- North Americans use factual appeals – based on what they believe is objective information, presented with the assumption that it is understood by the other side on a logical basis.</li> </ul>
<b>South and Latin America</b>	<ul style="list-style-type: none"> <li>- The negotiations evolve at a slow pace; the basis concept is “certainly tomorrow will be a new day”</li> <li>- They appreciate the partners who are concerned about their culture</li> <li>- At the first meetings, they follow protocol and resort to the emotional elements, in their strategies</li> <li>- Brazilians are very talkative and have a spontaneous, passionate, and dynamic style. They particularly use the word ‘no’ extensively – in fact more than 40 times per half an hour, compared with 4.7 for Americans and only 1.9</li> </ul>

	times for Japanese.
<b><u>EUROPE</u></b>	
<b>Eastern and Central Europe</b>	<ul style="list-style-type: none"> <li>- Have a significant amount of respect for the staff of well-known foreign companies</li> <li>- They are very cautious; responsive to the price concessions</li> <li>- Appreciate humor</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>- They are punctual and nationalistic</li> <li>- The negotiators are chosen based on their status in society</li> <li>- French negotiators enjoy debate and conflict and will often interrupt presentation to argue about an issue even if it has little relevance to the topic being presented</li> </ul>
<b>England</b>	<ul style="list-style-type: none"> <li>- They are polite, punctual, and formal</li> <li>- British negotiators are very good organizers</li> <li>- They have schemes (charts) of negotiations and in this case don't based too much on the inspiration</li> </ul>
<b>Germany</b>	<ul style="list-style-type: none"> <li>- They are quiet, self-assured, meticulous</li> <li>- Their motto is "one man one word"</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>- They are stand-offish and modest persons, very accurate</li> </ul>
<b>Italy</b>	<ul style="list-style-type: none"> <li>- They prefer bargain even if they are the winner</li> <li>- They become enthusiastic or angry too quick</li> </ul>
<b>Russia</b>	<ul style="list-style-type: none"> <li>- They want to tergiversate the negotiations</li> <li>- They aren't good organizers</li> <li>- Consider concession like a weakness</li> <li>- They have a formal and stand-offish relationship</li> <li>- Russians employ axiomatic appeals – their appeals are based on the ideals generally accepted in their society</li> </ul>
<b><u>ASIA</u></b>	
<b>Japan</b>	<ul style="list-style-type: none"> <li>- Very difficult negotiators</li> <li>- Often they prefer to be evasive in their declarations (statements) and don't say the truth directly, because in their opinions, this may offend the partners</li> <li>- They have a very strong principles and is a good idea to avoid the philosophical discussions, or jokes and irony</li> <li>- Sometimes they prefer to use an translator and in this case they have more time to think</li> <li>- They suffer by an inferiority complex</li> <li>- The role of wives in protocol actions is null</li> <li>- Japanese want to develop long term, personal relationship. They like to spend time in no task sounding – generate polite conversation and informal communication before</li> </ul>

	meetings
<b>China</b>	<ul style="list-style-type: none"> <li>- Negotiation teams are very numerous</li> <li>- Negotiation is like a chess game</li> <li>- They try to tire partners with numerous questions</li> <li>- Don't accept mistakes in their work nor defeat</li> </ul>
<b><u>AFRICA</u></b>	<ul style="list-style-type: none"> <li>- African negotiators begin negotiation with a general discussion</li> <li>- If negotiation partners are in a hurry, that is a bad sign for African negotiators because they think they will be cheat</li> <li>- Gesticulate too much and sometimes make some allegations</li> <li>- Sometimes the training of negotiators is superficially</li> </ul>
<b>Middle East</b>	<ul style="list-style-type: none"> <li>- Arabs use affective appeals – based on emotions and subjective feelings</li> <li>- Arabs consider that you do not bargain, you offend them and that is why they come back often to agreed issues</li> </ul>

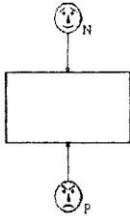
### Characteristics of foreign cultures

KEY: Y = Yes N = No ? = Don't know	German	French	Spanish/ Portuguese	Russian	South American	American	Japanese	Chinese
Characteristic								
Formal	Y	N	N	Y	N	N	Y	Y
Punctual	Y	Y	N	Y	N	Y	Y	Y
Need to establish rapport	N	Y	Y	Y	Y	N	?	?
Speak language or use Interpreter	SL	I	SL	SL	SL	SL	I	I
Blue/Gray 'suitsers'	N	N	N	Y	N	Y	Y	Y
Prefer bi-directional information exchanges	Y	Y	Y	N	Y	Y	N	N
Unique approach to contracts	Y	Y	Y	Y	Y	Y	Y	Y

## Cultural Dimensions: Seating positions at the negotiation table

### Seating Position # 1

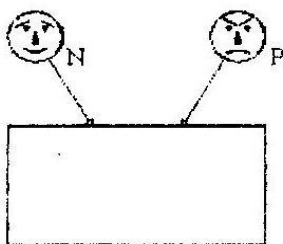
*Partners are situated face to face*



This is a classic seating position for partners being situated face to face, with one person on each side table. This seating position has the advantage of freedom movement and of direct and continuous observation of partner. This is the most competitive seating position because partners who are situated face to face with the table between them can become spontaneously competitive. This seating position is not recommended in encounters where conflicts want to be avoided. Negotiator advantages can be created through illumination angle, position of window, position of door and of heat source.

### Seating Position #2

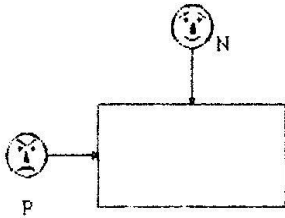
*Shoulder to shoulder*



This seating position is called shoulder to shoulder and has the signification of certain familiarity and friendship between partners. This position creates the feeling that they hold same position on issues being discussed. This seating position is used when there is a desire to elimination of partner's suspicion and to attenuate conflict in dispute. This seating position is not indicated in negotiation with a foreigner partner.

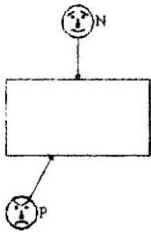
Position negotiator (on right) and partner (on left) assure a certain advantage to the negotiator by giving the negotiator a greater freedom of moving, better visibility and improved economy of motion when he displays documentation and evidences. Partner from left is obliged to make additional movements and to turn back (twist), a fact which leads to lower attention.

### Seating Position #3



This is a good placement for the negotiation table, even though is rarely used. Usually, person placed on the longer side has an easy advantage, especially when he is sitting on high and commanding armchair, normally occupied during the office hours.

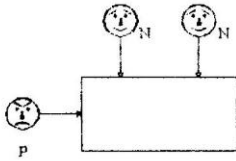
### Seating Position #4



This is a combination of previous seating positions where the negotiator is at the center of one side of the table and the negotiating partner is off-center on the other side of the table. It is a good placement for friendly negotiations.

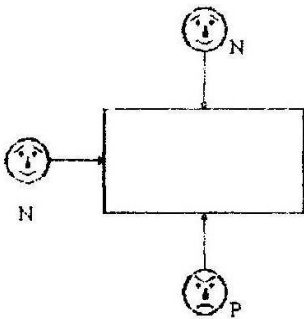


### alSeating Position # 5



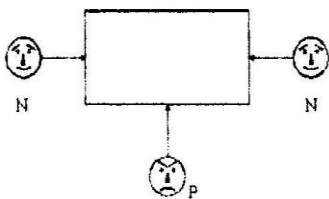
This seating position allows the partner to observe simultaneously the other two negotiators, without getting into competition with them. The negotiators will try to control, to manipulate, and to persuade the partner by changing roles, mimicry and gestures.

### Seating Position # 6



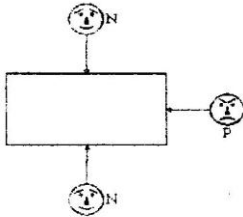
This is the most convenient seating position from the point of view of a single partner. This seating position represents a more complex placement scheme. The partner can view both negotiating partners and can watch their reactions and non-verbal messages.

### Seating Position #7



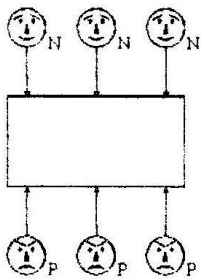
This is the most disadvantage seating position for single partner because he feels caught in the middle between the negotiation partners. Trying to observe two message sources, placed in opposite directions, he will tire, become impatient and his concentration and attention will decrease.

### Seating Position 8



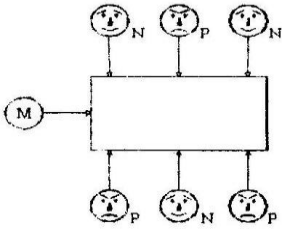
This is a “sweeter” form of seating position 7. The negotiating partner occupies narrower side of the table and the two-team members are situated face to face on the longer sides of the table. This creates competitive advantage for the negotiators.

### Seating Position # 9



This is the most common seating position. This positioning doesn't arouse suspicion, and it has the same advantages mentioned related seating position #1. In principle, according to European custom, the boss is placed at the middle of table, with his teammates placed on his or her right and left side. It is the Japanese custom for the head of delegation to sit at the head of column.

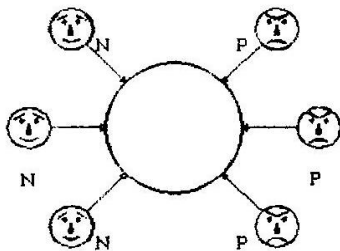
### Seating Position # 10



This is an unconventional placement at negotiation table. This positioning can be used deliberate when previous negotiation rounds were not successful. In an effort to overcome negotiation difficulties, a neutral person is invited (M) and placed at the head of the table, to serve as a mediator. The disadvantage of this method is the fact that members of each team cannot consult discreetly, which can cause to the negotiation process to be less convenient and harder to control.

### Ideal Seating Position # 11

*Table of King Arthur*



This is the ideal seating position for negotiators. It offers direct lines of communication among all partners, uniform visibility and equal maneuver space, which attenuates competition among partners.